

FILE

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LISTING STATEMENT No. 2008

LISTED MARCH 25th, 1959.

9,750 6½% first preferred shares, series A, of \$100 par value each.

535,009 common shares without par value.

Ticker abbreviations "HF PR" and "HF".

Post section 11.

TORONTO STOCK EXCHANGE

LISTING STATEMENT

HARDEE FARMS INTERNATIONAL LTD.

An operating Company incorporated under the laws of Canada by letters patent dated the 2nd day of February, 1959

APR 14 1959

6½% FIRST PREFERRED SHARES SERIES A OF THE PAR VALUE OF \$100 EACH
AND COMMON SHARES WITHOUT NOMINAL OR PAR VALUE
(Transferable in Toronto, Montreal and Winnipeg)

CAPITAL SECURITIES AS AT MARCH 10, 1959

CAPITAL STOCK:

	AUTHORIZED	OUTSTANDING	TO BE LISTED
First Preferred Shares par value \$100 each.....	50,000		
6½% First Preferred Shares Series A.....		9,750	9,750
6½% Second Preferred Shares par value \$100 each.....	50,000	8,229	nil
Common shares without nominal or par value.....	1,000,000	535,009	535,009

FUNDED DEBT:

5¼% Bank loan payable October 1, 1959 to 1960.....	\$ 50,000	\$ 50,000	nil
6% Mortgage payable in quarterly instalments each year to October 1, 1973 (U.S. funds).....	453,000	435,486	nil
6% Sinking Fund Debentures to mature January 15, 1979 (U.S. funds).....	1,984,000	1,984,000	nil

MARCH 18, 1959

1. APPLICATION

HARDEE FARMS INTERNATIONAL LTD. (hereinafter called the "Company") hereby makes application for listing on The Toronto Stock Exchange of 9,750 6½% First Preferred Shares Series A of the par value of \$100 each and 535,009 common shares without nominal or par value in the capital stock of the Company, all of which are issued and outstanding as fully paid and non-assessable.

2. HISTORY

The Company was incorporated February 2, 1959 and acquired on March 9, 1959 all the outstanding shares in the capital stock of Hardee Farms Ltd. and Holland River Gardens Co. Limited, respectively, 50% of the outstanding shares in the capital stock of Ottawa River Farms Limited (the other 50% having been acquired by Hardee Farms Ltd. in January 1959), approximately 178 acres of land near Bradford, Ontario, approximately 3,457 acres of land in the County of Prescott, Ontario, approximately 9,000 acres of land in Highlands and Glades Counties, Florida, and livestock, dairy barn and equipment, forage dehydration plant and equipment and miscellaneous buildings, fixtures and equipment in the State of Florida.

3. NATURE OF BUSINESS AND NUMBER OF EMPLOYEES

The Company is about to engage in vegetable production in Florida and has begun to conduct a milk production business and a dehydrated forage business in Florida. The Company is marketing its milk in the South Eastern Florida Marketing Area, which comprises the Counties of Dade, Broward, Monroe and Palm Beach, under a Federal Marketing Order. All milk production is currently being sold to Southern Dairies Inc., a subsidiary of National Dairy Products Corporation. The forage dehydration plant acquired by the Company was completed in May 1958 after two years of development work. The Company is currently selling products of that plant to feed companies for use as ingredients of blended feeds and is also purchasing other ingredients, mixing them with the dehydrated products, and selling the mixed feed to distributors for resale.

At the present time the Company and its subsidiaries have approximately 242 employees.

4. INCORPORATION AND CAPITAL CHANGES

The Company was incorporated February 2, 1959 by letters patent under the laws of Canada, with an authorized capital consisting of a class of 50,000 First Preferred Shares of the par value of \$100 each, issuable in series, of which 9,750 shares designated 6½% First Preferred Shares Series A constitute the first series, 50,000 Second Preferred Shares of the par value of \$100 each and 1,000,000 common shares without nominal or par value.

5. NO PERSONAL LIABILITY—OPINION OF COUNSEL

In the opinion of Messrs. Daly, Harvey & Cooper, counsel for the Company, the Company is a valid and subsisting corporation under the laws of Canada and all of the issued and outstanding shares of each class in the capital stock of the Company are fully paid and non-assessable and no personal liability attaches to the ownership thereof. D. R. C. Harvey, Q.C., a partner of Messrs. Daly, Harvey & Cooper, is a director and the Secretary of the Company.

6. SHARE ISSUES DURING PAST TEN YEARS

9 common shares without nominal or par value were issued on the incorporation of the Company, February 2, 1959, for a consideration fixed at \$1.00 per share. The total amount realized by the Company for such shares was \$9.00.

1,750 6½% First Preferred Shares Series A of the par value of \$100 each, 8,229 Second Preferred Shares of the par value of \$100 each and 455,000 common shares without nominal or par value were issued, at par in the case of the 6½% First Preferred Shares Series A and the Second Preferred Shares and for a consideration fixed at \$6.25 in the case of the common shares, on March 9, 1959 as part of the consideration for the purchase of all the outstanding capital stock of Hardee Farms Ltd. and Holland River Gardens Co. Limited, respectively, 50% of the outstanding capital stock of Ottawa River Farms Limited, approximately 178 acres of land near Bradford, Ontario, approximately 3,457 acres of land in the County of Prescott, Ontario, approximately 9,000 acres of land in Highlands and Glades Counties, Florida, and livestock, dairy barn and equipment, forage dehydration plant and equipment, and miscellaneous buildings, fixtures and equipment in Florida.

8,000 6½% First Preferred Shares Series A and 80,000 common shares without nominal or par value were issued, at par in the case of the Preferred Shares and for a consideration fixed at \$6.00 per share in the case of the common shares, on March 10, 1959 to Dominion Securities Corpn. Limited, subject to the payment to Dominion Securities Corpn. Limited of a commission of \$3.00 per preferred share and 18¢ per common share in consideration of its subscribing for such shares. The total net amount realized by the Company from the sale of such shares was \$1,241,600.

7. STOCK PROVISIONS AND VOTING POWERS

As appears more particularly in the letters patent of the Company dated February 2, 1959, the shares of each class have attached thereto certain rights, restrictions, conditions and limitations, of which the following is a summary:

First Preferred Shares (as a class)

The directors may issue the First Preferred Shares in one or more series having such rights, restrictions, conditions or limitations attaching thereto as shall be determined by the directors. The First Preferred Shares shall be entitled to preference with respect to the payment of dividends over any other shares of the Company ranking junior thereto. Dividends shall be payable quarterly when and as declared by the board of directors. The shares of each series rank on a parity with the shares of every other series with respect to priority in payment of dividends and in any distribution of assets among shareholders for the purpose of winding up the affairs of the Company. The holders shall not be entitled to receive notice of or to attend or vote at any meeting of shareholders unless the Company shall fail to pay in the aggregate four quarterly dividends on the First Preferred Shares of any one series and thereafter so long as any dividends on any First Preferred Shares remain in arrears the holders of First Preferred Shares of all series shall be entitled to one vote in respect of each First Preferred Share held and, voting separately and exclusively as a class, to elect two out of the total number of directors of the Company. The provisions relating to the First Preferred Shares may be amended with the approval of holders of First Preferred Shares given in a specified manner.

6½% First Preferred Shares Series A (in this summary called "Series A Shares")

The holders of Series A shares are entitled to fixed cumulative preferential cash dividends when and as declared by the board of directors at the rate of 6½% per annum on the par value thereof accruing from such date as may be determined by the board of directors (January 15, 1959) and payable quarterly on the first days of January, April, July and October at any branch in Canada (far northern branches excepted) of the Company's bankers. No dividend shall be paid on any shares ranking junior to the First Preferred Shares so long as any Series A Shares remain outstanding. No moneys shall be set aside for the retirement of nor shall the Company retire any shares ranking junior to the First Preferred Shares so long as the Company remains in arrears in paying any quarterly dividend on the Series A Shares. The holders of the Series A Shares shall be entitled on any distribution of assets of the Company for the purpose of winding up its affairs to \$120 per share together with all accrued and unpaid dividends in priority to any distribution of assets to holders of any other shares ranking junior to the First Preferred Shares. The Company may redeem all the Series A Shares or any part thereof by lot on payment of \$120 together with accrued and unpaid dividends on 30 days' prior notice and may purchase for cancellation the whole or any part of the Series A Shares at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the redemption price. The Company shall on June 15 in each year commencing in 1961 set aside as a sinking fund for the redemption of Series A Shares 25% of Consolidated Net Income of the Company and its Wholly-owned Subsidiaries for the then most recently completed fiscal year of the Company. The sinking fund shall be applied not later than August 1 in such year to the retirement of Series A Shares at the redemption price. No moneys shall be set aside for the retirement of nor shall the Company retire any shares ranking junior to the First Preferred Shares so long as the Company remains in arrears in setting aside or applying such sinking fund. So long as any Series A Shares are outstanding the Company shall not without the approval of holders of such shares given in a specified manner permit any Subsidiary to incur Funded Obligations, with certain exceptions; dispose of shares or Funded Obligations of a Subsidiary; retire shares ranking junior to the First Preferred Shares or effect any reduction of paid-up capital or make any distribution on its shares, provided that the Company may purchase or redeem Second Preferred Shares in any 12 month period to an aggregate par value not exceeding the aggregate par value of Series A Shares purchased or redeemed in such period; permit any Subsidiary to issue shares except to the Company; authorize an increase in the authorized amount of Series A Shares or create or issue shares ranking in priority thereto; authorize any change in the provisions relating to the Series A Shares; or issue any shares ranking *pari passu* with the Series A Shares unless certain tests as to Consolidated Net Tangible Assets and/or Average Consolidated Net Earnings are met.

Second Preferred Shares

The rights of the holders of Second Preferred Shares are subject to the prior rights, preferences and privileges attaching to the First Preferred Shares. Non-cumulative preferential cash dividends shall be payable at the rate of $6\frac{1}{2}\%$ per annum on the par value of the shares. No dividend shall be paid on any shares ranking junior to the Second Preferred Shares in any year unless dividends at the annual rate have been declared and paid or set apart for payment in such year on the Second Preferred Shares or Second Preferred Shares shall have been redeemed in such year to an aggregate par value equal to $6\frac{1}{2}\%$ of the aggregate par value of all Second Preferred Shares outstanding at the beginning of such year. The holders of Second Preferred Shares shall be entitled on any distribution of assets among shareholders for the purpose of winding up the affairs of the Company to the par value thereof or the amount paid up thereon, whichever is less, together with any declared and unpaid dividends, before any distribution of assets to holders of shares ranking junior to the Second Preferred Shares. The Company may redeem all the Second Preferred Shares or any part thereof pro rata on payment of the par value thereof together with declared and unpaid dividends on 10 days' prior notice and may purchase for cancellation the whole or any part of the Second Preferred Shares at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the redemption price. No increase in the authorized amount or change in the provisions relating to the Second Preferred Shares may be made without the approval of the holders of Second Preferred Shares given in a specified manner. The holders of Second Preferred Shares shall not be entitled to notice of or to attend or vote at any meeting of shareholders unless the Company shall fail to pay dividends aggregating $6\frac{1}{2}\%$ per annum upon the par value of the Second Preferred Shares for two consecutive years and thereafter until dividends have been paid in respect of two subsequent consecutive years shall be entitled, voting separately and exclusively as a class, to elect one of the total number of directors of the Company.

Common Shares

Common shares carry the right to one vote per share at all general meetings of the shareholders of the Company.

8. DIVIDEND RECORD

The Company has not paid any dividends on the shares of any class in its capital stock but has declared a dividend of \$1.37 per share on its $6\frac{1}{2}\%$ First Preferred Shares Series A payable April 1 to holders of record March 20, 1959.

9. RECORD OF PROPERTIES

The Company owns approximately 178 acres of cultivated land near Bradford, Ontario, approximately 3,457 acres of land in the Townships of Alfred and Caledonia in the County of Prescott, Ontario, approximately 9,000 acres of land in Highlands and Glades Counties, Florida, and livestock, dairy barn and equipment, forage dehydration plant and equipment and miscellaneous buildings, fixtures and equipment in the State of Florida.

Hardee Farms Ltd. owns about 1,700 acres of land near Sherrington, Quebec, of which 700 acres are under cultivation, packaging plant, storage buildings, field machinery and miscellaneous equipment.

Holland River Gardens Co. Limited owns about 113 acres of cultivated land in the Holland Marsh area in Ontario and leases about 178 acres owned by the Company, and owns a packaging plant, storage facilities, buildings, field machinery and miscellaneous equipment.

Ottawa River Farms Limited owns about 988 acres of land in the County of Prescott, Ontario, together with packaging plant and warehouse and miscellaneous equipment.

10. SUBSIDIARY COMPANIES

Hardee Farms Ltd., incorporated under the laws of Canada by letters patent dated March 29, 1954; engaged in growing, purchasing, packaging and marketing fresh vegetables; authorized capital 5,000 preferred shares of the par value of \$100 each and 25,000 common shares without nominal or par value; issued capital 3,400 preferred shares and 24,000 common shares, all owned by the Company.

Holland River Gardens Co. Limited, incorporated under the laws of Ontario by letters patent dated September 17, 1945; engaged in growing, purchasing, packaging and marketing fresh vegetables; authorized capital 1,695 preference shares of the par value of \$100 each and 500 common shares of the par value of \$100 each; issued capital 673 preference shares and 30 common shares, all owned by the Company.

Ottawa River Farms Limited, incorporated under the laws of Ontario by letters patent dated September 20, 1956; engaged in growing, purchasing, packaging and marketing fresh vegetables; authorized capital 10,000 shares without par value; issued capital 10,000 shares without par value of which 5,000 are owned by Hardee Farms Ltd. and 5,000 by the Company.

11. FUNDED DEBT

The Company:

6% Sinking Fund Debentures due January 15, 1979, principal amount \$1,984,000 U.S. interest payable June 15 subject to deferment.

6% Mortgage, principal amount \$435,486 U.S. instalments of principal and interest payable quarterly to October 1, 1973.

$5\frac{1}{4}\%$ Bank Loan due \$25,000 October 1, 1959 to 1960, principal amount \$50,000, interest payable monthly.

Hardee Farms Ltd:

$6\frac{1}{2}\%$ Serial Debentures due \$12,500 December 31, 1959 to 1965; principal amount \$87,500, interest payable December 31.

$6\frac{1}{2}\%$ Note due March 31, 1962, principal amount \$120,00, interest payable March 31.

Holland River Gardens Co. Limited:

6% Mortgage due \$12,000 January 31, 1960 to 1965, principal amount \$59,500, interest payable January 31 and July 31 (held by the Company).

5% Mortgage due \$6,000 October 31, 1959 to 1962, balance October 31, 1963, principal amount \$34,000, interest payable October 31.

12. OPTIONS, UNDERWRITINGS, ETC.

A. Dees, the President of the Company, has an option to purchase 50,000 common shares at \$10 per share on or before December 1, 1968 and Leslie W. Paszat, the Treasurer and Comptroller of the Company, has an option to purchase 6,500 common shares at \$6.25 per share on or before December 1, 1963.

13. LISTING ON OTHER STOCK EXCHANGES

No securities of the Company are listed on any other Stock Exchange.

14. STATUS UNDER SECURITIES ACTS

The Company filed with the Ontario Securities Commission a prospectus dated February 26, 1959 and other material relating to the issue of 8,000 6½% First Preferred Shares Series A of the par value of \$100 each and 80,000 common shares without nominal or par value. By letter dated February 27, 1959 to Dominion Securities Corp'n. Limited receipt of such material was acknowledged by the Ontario Securities Commission.

15. FISCAL YEAR

The fiscal year of the Company ends on the last Saturday of March.

16. ANNUAL MEETING

The by-laws of the Company provide that the annual meeting of the shareholders shall be held at the head office of the Company or elsewhere on such day in each year as the board of directors may by resolution determine. No annual meeting has yet been held.

17. HEAD AND OTHER OFFICES

The head office of the Company is located at Suite 1710, 25 King Street West, Toronto. The Company maintains an administrative office near Lake Placid, Florida.

18. TRANSFER AGENT

The Canada Trust Company at Toronto, Montreal and Winnipeg is the Transfer Agent in respect of the 6½% First Preferred Shares Series A and common shares. The shares of each such class are interchangeably transferable at such offices.

19. TRANSFER FEE

No fee is charged on stock transfers other than the customary government stock transfer taxes.

20. REGISTRAR

The Canada Trust Company at Toronto, Montreal and Winnipeg is the Registrar for the 6½% First Preferred Shares Series A and the common shares.

21. AUDITORS

The auditors of the Company are Messrs. McDonald, Currie & Co., 80 King Street West, Toronto, Chartered Accountants.

22. OFFICERS

NAME	OFFICE	ADDRESS
Abraham Dees	President	23 Country Lane, Willowdale, Ontario
Daniel Ross Cobb Harvey, Q.C.	Secretary	74 Garfield Avenue, Toronto, Ontario
Leslie Walter Paszat	Treasurer and Comptroller	Apartment 304, 186 Wilson Avenue, Toronto, Ontario

23. DIRECTORS

NAME	OCCUPATION	ADDRESS
Abraham Dees	Executive	23 Country Lane, Willowdale, Ontario
Thomas Jesse Durrance, Jr.	Executive	Post Office Box 376, Lake Placid, Florida, U.S.A.
Daniel Ross Cobb Harvey	One of Her Majesty's Counsel	74 Garfield Avenue, Toronto, Ontario
George Horlings	Executive	R.R. No. 2, Newmarket, Ontario
William Grant Horsey	Executive	Apartment 833, 21 Dale Avenue, Toronto, Ontario
William Simpson Hulton	Executive	326 Inglewood Drive, Toronto, Ontario
Geoffrey Edmund Phipps	Investment Dealer	Apartment 841, 21 Dale Avenue, Toronto, Ontario
John James Trenam	Attorney at Law	914 South Sterling Street, Tampa, Florida, U.S.A.
Nicholas De Young	Executive	4710 Sir George Simpson Street, Lachine, Quebec

CERTIFICATE

Pursuant to a resolution duly passed by its board of directors, the applicant Company hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



HARDEE FARMS INTERNATIONAL LTD.

"A. DEES", President.

"D. R. C. HARVEY", Secretary.

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

As of March 18th, 1959

6½% FIRST PREFERRED SHARES SERIES A

154	Holders of	1—	100 share lots.....	3,026 Shares
4	" "	101—	200 " ".....	690 "
Nil	" "	201—	300 " ".....	
Nil	" "	301—	400 " ".....	
1	" "	401—	500 " ".....	480 "
Nil	" "	501—	1000 " ".....	
2	" "	1001—	up " ".....	5,554 "
161 Stockholders				Total shares..... 9,750

COMMON SHARES

134	Holders of	1—	100 share lots.....	8,944 Shares
26	" "	101—	200 " ".....	4,770 "
14	" "	201—	300 " ".....	3,850 "
2	" "	301—	400 " ".....	800 "
12	" "	401—	500 " ".....	5,978 "
18	" "	501—	1000 " ".....	16,350 "
29	" "	1001—	up " ".....	494,317 "
235 Stockholders				Total shares.....535,009

FINANCIAL STATEMENTS

HARDEE FARMS INTERNATIONAL LTD.

(Incorporated under the laws of Canada)

BALANCE SHEET AND PRO FORMA

CONSOLIDATED BALANCE SHEET AS AT FEBRUARY 2, 1959

ASSETS

	BALANCE SHEET	PRO FORMA CONSOLIDATED BALANCE SHEET
CURRENT:		
Cash.....	\$ 9	\$ 735,123
Government of Canada bonds—at cost (quoted market value \$1,200).....		1,451
Accounts receivable—trade, less provision for doubtful accounts of \$600.....		157,738
Inventories—valued at the lower of cost or market.....		212,939
Prepaid expenses.....		306,001
Cash surrender value of life insurance.....		1,265
		<u>\$1,414,517</u>
FIXED—AT COST OR AS APPRAISED (NOTE 3)		
Land.....		3,801,819
Roads and ditches.....		75,177
Buildings and equipment.....		2,005,161
Trucks and automobiles.....		55,863
Railway siding.....		6,464
Livestock.....		381,150
		<u>6,325,634</u>
Accumulated depreciation.....		411,901
		<u>5,913,733</u>
OTHER:		
Plantation expenses applicable to years subsequent to 1959.....		212,662
Unamortized debenture discount and preliminary and financing expense.....		158,722
Trade name—at cost.....		9,108
Excess of purchase price of shares of subsidiaries over book value thereof.....		984,805
		<u>1,365,297</u>
	<u>\$ 9</u>	<u>\$8,693,547</u>

LIABILITIES

	BALANCE SHEET	PRO FORMA CONSOLIDATED BALANCE SHEET
CURRENT:		
Bank loan and overdraft.....		\$ 590,191
Accounts payable and accrued liabilities.....		196,657
Income taxes payable.....		51,557
Current portion of long term liabilities.....		79,523
Loan from shareholder.....		9,997
		<u>\$ 927,925</u>
LONG TERM:		
5¼% bank loan of subsidiary payable \$25,000 on October 1, 1959 and 1960 (less \$25,000 shown as current liability).....		25,000
6½% note of subsidiary due March 31, 1962.....		120,000
6½% serial debentures of subsidiary maturing \$12,500 on December 31, 1958 to 1965 inclusive (less \$25,000 shown as current liability).....		75,000
5% mortgage of subsidiary due \$5,000 on October 31, 1958 and \$6,000 on October 31, 1959 to 1962 and \$5,000 on October 31, 1963 (less \$11,000 shown as current liability).....		23,000
6% mortgage due October 1, 1973 and payable in blended payments of principal and interest of \$11,000 on the 1st days of January, April, July and October up to July 1, 1973 and the balance on October 1, 1973 (U.S. funds) (less \$18,523 shown as current liability).....		416,963
6% sinking fund debentures due January, 15, 1979 (U.S. funds).....		1,984,000
		<u>2,643,963</u>
CAPITAL STOCK:		
Capital stock—		
Authorized—		
50,000 First Preferred Shares of a par value of \$100 each, issuable in series.....		\$5,000,000
50,000 6½% non-cumulative Second Preferred Shares of a par value of \$100 each, redeemable at par.....		5,000,000
1,000,000 common shares without nominal or par value.....		—
Issued—		
9 common shares for cash of \$9.....	\$ 9	
Issued—Pro forma (Note 1 (b) to (e) inclusive) 9,750 6½% First Preferred Shares Series A redeemable at \$120 per share.....		975,000
8,229 Second Preferred Shares.....		822,900
535,009 common shares.....		3,323,759
		<u>5,121,659</u>
	<u>\$ 9</u>	<u>\$8,693,547</u>

Approved on behalf of the Board

(Signed) A. Dees, Director

(Signed) William S. Hulton, Director

NOTES TO BALANCE SHEET AND PRO FORMA CONSOLIDATED BALANCE SHEET

1. The pro forma consolidated balance sheet gives effect as of February 2, 1959 to the following events and transactions:
 - (a) The purchase by Hardee Farms Ltd., as of August 16, 1958, of fifty percent of the outstanding capital stock of Ottawa River Farms Limited for \$120,000 cash, the borrowing from a bank of \$120,000 and the application of \$120,000 of the proceeds from the sale of the shares referred to in (e) below in re-payment of such bank loan.
 - (b) The purchase, as of August 16, 1958, of all the outstanding capital stock of Hardee Farms Ltd. for: 1,750 6½% First Preferred Shares Series A at par, 1,650 Second Preferred Shares at par and 240,000 common shares at \$6.25 per share.
 - (c) The purchase, as of August 16, 1958, of all the outstanding capital stock of Holland River Gardens Co. Limited, fifty percent of the outstanding capital stock of Ottawa River Farms Limited, 178 acres of land in the Holland Marsh area and 3,457 acres of land in County of Prescott for: \$275,000 cash, 6,579 Second Preferred Shares at par and 65,000 common shares at \$6.25 per share.
 - (d) The purchase, as of January 30, 1959, of certain assets of Messrs. T. J. Durrance, and T. J. Durrance, Jr., situated in the State of Florida and the assumption of a mortgage in the principal amount of \$435,486 (U.S.) for: 6% sinking fund debentures in the principal amount of \$1,984,000 (U.S.) and 150,000 common shares at \$6.25 per share.
 - (e) The issue of 8,000 6½% First Preferred Shares Series A at par and 80,000 common shares at \$6.00 per share for \$1,280,000 cash.
 - (f) The payment of estimated preliminary expenses and expenses relating to the foregoing, including commission on sale of the shares referred to in (e) above, in the amount of \$153,400.
2. The pro forma consolidated balance sheet is based on the balance sheets of Hardee Farms Ltd., Holland River Gardens Co. Limited and Ottawa River Farms Limited as at August 16, 1958 and on the balance sheet setting forth the assets to be acquired and the liabilities to be assumed by Messrs. T. J. Durrance and T. J. Durrance, Jr., as at January 30, 1959. Earnings of such companies, less dividends of \$10,200 paid October 1, 1958 on preferred shares of Hardee Farms Ltd., accrue to Hardee Farms International Ltd.
3. An amount of \$1,000,729 being part of the excess cost of shares of subsidiaries over the net book value thereof has been included in the value of land, this being the asset to which it is considered to apply in accordance with an appraisal by Norman Porter, an independent realtor, dated February 24, 1959.
4. U.S. funds are converted at par.
5. Options have been granted to officers of the Company to purchase 6,500 common shares at \$6.25 per share on or before December 1, 1963 and 50,000 common shares at \$10.00 per share on or before December 1, 1968.
6. No dividends may be paid on the Second Preferred Shares or common shares so long as any of the 6½% First Preferred Shares Series A are outstanding.

STATEMENT OF COMBINED EARNINGS FOR THE TEN YEARS AND SEVEN AND ONE-HALF MONTHS ENDED AUGUST 16, 1958 (Note 1)

	HARDEE FARMS LTD. HOLLAND RIVER GARDENS CO. LIMITED OTTAWA RIVER FARMS LIMITED									
	PERIOD ENDED Aug. 16, 1958 (note 2)	FISCAL PERIODS ENDED								
	Mar. 29, 1958 (note 3)	Mar. 30, 1957 (note 4)	Mar. 31, 1956 (note 5)	Mar. 26, 1955 (note 6)	1953 (note 7)	1952 (note 7)	Dec. 31, 1951 (note 7)	1950 (note 7)	1949 (note 7)	
Profit (loss) from operations before depreciation, interest on long term debt and provision for taxes on income ..	\$36,322	\$252,531	\$186,781	\$115,033	\$ (58,208)	\$47,338	\$66,615	\$50,611	\$ (22,087)	\$61,906
Deduct:										
Depreciation.....	19,214	73,788	61,009	43,651	33,008	24,383	25,254	28,643	22,715	25,211
Interest on long term debt ..	3,654	22,855	17,122	13,163	2,959	3,410	5,264	3,700	3,700	5,035
	22,868	96,643	78,131	56,814	35,967	27,793	30,518	32,343	26,415	30,246
Profit (loss) before provision for taxes on income.....	13,454	155,888	108,650	58,219	(94,175)	19,545	36,097	18,268	(48,502)	31,660
Taxes on income (note 8).....	4,300	59,871	33,136	10,147	(27,486)	4,103	17,915	6,575	(12,974)	10,003
Net profit (loss) for period	\$ 9,154	\$ 96,017	\$ 75,514	\$ 48,072	\$ (66,689)	\$15,442	\$18,182	\$11,693	\$ (35,528)	\$21,657

NOTES TO STATEMENT OF COMBINED EARNINGS

1. The statement of combined earnings does not include earnings of Hardee Farms International Ltd. which was incorporated on February 2, 1959.
2. At August 16, 1958, harvesting of the 1958 crop had just commenced. Expenses in connection with that crop, less revenue, together with related administration expenses have been treated as deferred expenses and are not included. The amounts shown include only those applicable to plant operations and are therefore not indicative of the earnings for the full year.
3. Includes first year of operations of Ottawa River Farms Limited.
4. Includes operations of Holland River Gardens Co. Limited for fifteen months.
5. Includes operations of Hardee Farms Ltd. for the year ended March 31, 1956 and of Holland River Gardens Co. Limited for the year ended December 31, 1955.
6. Includes operations of Hardee Farms Ltd. for the year ended March 26, 1955 (first year of operations) and of Holland River Gardens Co. Limited for the year ended December 31, 1954.
7. Includes operations of Holland River Gardens Co. Limited only.
8. In the case of Hardee Farms Ltd. depreciation in excess of that provided in the accounts has been claimed for federal tax purposes and provision for income taxes has been reduced by the following amounts:

Year ended March 26, 1955.....	\$ 8,600
“ “ March 31, 1956.....	8,700
“ “ March 30, 1957.....	9,500
“ “ March 29, 1958.....	10,350
	<u>\$37,150</u>

AUDITORS' REPORT

We have examined the balance sheet as at February 2, 1959 of Hardee Farms International Ltd., the pro forma consolidated balance sheet as at February 2, 1959 of Hardee Farms International Ltd. and its subsidiary companies and the statement of combined earnings of Hardee Farms Ltd., Holland River Gardens Co. Limited and Ottawa River Farms Limited for the ten years and seven and one-half months ended August 16, 1958. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence of Hardee Farms International Ltd. and Hardee Farms Ltd. as we considered necessary in the circumstances. The financial statements of Holland River Gardens Co. Limited and Ottawa River Farms Limited and the balance sheet setting forth the assets to be acquired and the liability to be assumed from Messrs. T. J. Durrance and T. J. Durrance, Jr., were examined and reported upon by other auditors, whose examinations and reports have been reviewed by us.

In our opinion,

- (a) the accompanying balance sheet presents fairly the financial position of the company at February 2, 1959;
- (b) the accompanying pro forma consolidated balance sheet as at February 2, 1959, presents fairly the financial position of the companies consolidated therein after giving effect to the transactions on which it is based;
- (c) the accompanying statement of combined earnings presents fairly the results of the combined operations for the ten years and seven and one-half months ended August 16, 1958.

"McDONALD, CURRIE & CO."

Toronto, Ontario,
February 26, 1959.

Chartered Accountants.